

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Cherry Grove Township	County Wexford
Fiscal Year End 6-30-2006	Opinion Date 9/7/2006	Date Audit Report Submitted to State October 24, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Authorizing CPA Signature 		Printed Name Michael D. Cool CPA	Zip 49601
		License Number 1101023146	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2006

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2006

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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through xi and budgetary comparison information on pages 25-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherry Grove Township, Wexford County, Cadillac, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Cherry Grove Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, is intended to be the Cherry Grove Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006, along with specific comparative information as required.

Financial Highlights Section

- The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,388,853. Of this amount, \$1,207,722 may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$669,227 an increase of \$40,297 in comparison with the prior year. About 40.90% is available for spending at the Township's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$2,388,853 at June 30, 2006, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Cherry Grove Township
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets						
Current Assets	\$ 769,327	\$ 661,286	\$ 669,223	\$ 648,822	\$ 1,438,550	\$ 1,310,108
Non Current Assets						
Capital Assets	1,170,168	923,623	1,269,562	1,269,562	2,439,730	2,193,185
Less: Accumulated Depreciation	(506,648)	(460,971)	(685,562)	(660,171)	(1,192,210)	(1,121,142)
Total Non Current Assets	663,520	462,652	584,000	609,391	1,247,520	1,072,043
Total Assets	\$1,432,847	\$1,123,938	\$1,253,223	\$1,258,213	\$ 2,686,070	\$2,382,151
Liabilities						
Current Liabilities	\$ 125,713	\$ 35,270	\$ 0	\$ 0	\$ 125,713	\$ 35,270
Long-Term Liabilities	171,504	9,593	0	0	171,504	9,593
Total Liabilities	297,217	44,863	0	0	297,217	44,863
Net Assets						
Invested in Capital Assets						
Net of Related Debt	450,361	449,128	584,000	609,391	1,034,361	1,058,519
Restricted for Public Safety and Recreation and Culture	146,770	168,063	0	0	146,770	168,063
Unrestricted	538,499	461,884	669,223	648,822	1,207,722	1,110,706
Total Net Assets	1,135,630	1,079,075	1,253,223	1,258,213	2,388,853	2,337,288
Total Liabilities and Net Assets	\$1,432,847	\$1,123,938	\$1,253,223	\$1,258,213	\$ 2,686,070	\$2,382,151

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$1,207,722 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$51,565 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Cherry Grove Township						
Change in Net Assets						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2006	2005	2006	2005	2006	2005
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 60,883	\$ 56,458	\$ 108,095	\$ 103,513	\$ 168,978	\$ 159,971
Operating Grants and Contributions	53,404	33,887	0	0	53,404	33,887
Capital Grants and Contributions	42,338	0	0	0	42,338	0
General Revenues						
Taxes	181,965	171,584	0	0	181,965	171,584
State Grants	159,785	157,169	0	0	159,785	157,169
Investment Earnings	19,575	9,442	15,365	11,341	34,940	20,783
Gain on Sale of Capital Assets	0	600	0	0	0	600
Other	1,270	699	0	0	1,270	699
Total Non Current Assets	<u>\$ 519,220</u>	<u>\$ 429,839</u>	<u>\$ 123,460</u>	<u>\$ 114,854</u>	<u>\$ 642,680</u>	<u>\$ 544,693</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<u>Expenses</u>						
Legislative	\$ 12,353	\$ 13,249	\$ 0	\$ 0	\$ 12,353	\$ 13,249
General Government	159,420	158,087	0	0	159,420	158,087
Public Safety	115,849	117,371	0	0	115,849	117,371
Public Works	37,313	1,003	0	0	37,313	1,003
Recreation and Culture	113,602	82,543	0	0	113,602	82,543
Other Functions	23,543	25,739	0	0	23,543	25,739
Interest on Long-term Debt	585	776	0	0	585	776
Sewer	0	0	128,450	126,252	128,450	126,252
Total Expenses	462,665	398,768	128,450	126,252	591,115	525,020
Change in Net Assets	56,555	31,071	(4,990)	(11,398)	51,565	19,673
<u>NET ASSETS</u> - Beginning of Year	1,079,075	1,048,004	1,258,213	1,269,611	2,337,288	2,317,615
<u>NET ASSETS</u> - End of Year	\$1,135,630	\$1,079,075	\$1,253,223	\$1,258,213	\$ 2,388,853	\$ 2,337,288

Governmental Activities

During the fiscal year ended June 30, 2006, the Township's net assets increased by \$51,565 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Cherry Grove Township comes from taxes. The Township levied operating and fire protection millages, this fiscal year. As a result, current property tax revenue increased by \$10,381. The Township levied 0.7648 mills for operating purposes and 0.9539 mills for fire protection. The fire protection millage is almost 25% higher than the township operating tax. The fire protection millage is voted on by the township residents. The next election for this millage is 2012. Therefore, the greatest portion of income for the township is not a guaranteed source of funding for the future.

The Township's governmental activities expenses are dominated by general governmental expenses. The Township spent \$159,420 in fiscal year 2006 on general administrative expenses. Public safety represented the next largest expense at \$115,849. However, early the next fiscal year, approximately \$43,000 was expended for an annual fire truck payment to reduce long term debt. The township also plans to set aside money in 2007 for future truck purchases, since trucks can easily cost more than \$150,000.

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FOR FISCAL YEAR ENDED JUNE 30, 2006

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$108,095 for 2006. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$102,009 of the Sewer Funds expenses. Depreciation expense of \$25,391 accounted for the next largest expense.

Sewer operations experienced a decrease in net assets in the amount of \$4,990. This is due mainly to the deduction for depreciation expense on the capital assets and the investment valuation write down on investments. This decrease in net assets is a trend the township is aware of in order to make sure the aging sewer system will remain functional. There currently are enough funds on hand so that the \$4,990 reduction is not of an immediate concern. However, rate increases for usage will have to be considered in the future.

The Sewer Fund is the Township's only Business-Type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Cherry Grove Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Cherry Grove Township's governmental funds reported combined ending fund balances of \$669,227. \$273,690 of this total amount constitutes unreserved and undesignated fund balance. The June 30th fiscal year end balance seems somewhat high because it represents the influx of taxes that are always received in March. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$71,698, which brings the fund balance to \$273,690. All of the General Fund's fund balance is unreserved. Tax revenues increased by \$5,219. State grant revenues increased by \$14,691 from the prior year. The general fund transferred \$11,829 to the Municipal Street Fund.

Municipal Street Fund – The Road Improvement Fund decreased its fund balance by \$13,784, which brings the fund balance to \$77,908. The balance is designated to be used for road improvements. Road projects for Locust Lane and portions of the Wedgewood subdivision were completed in 2005.

The majority of the sources of revenue that funds the Municipal Street Fund are special assessments and a transfer from the General Fund. The General Fund provided \$11,829 of the revenues and special assessments provided \$15,209 of the revenues.

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FOR FISCAL YEAR ENDED JUNE 30, 2006

Fire Fund – The Fire Fund increased its fund balance by \$19,383, which brings the fund balance to \$140,302. This balance is reserved and must be used for fire protection.

The Township did levy a fire millage on the 2005 tax roll. Tax related revenues totaled \$84,599 for the current fiscal year.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund increased its fund balance by \$159, which brings the fund balance to \$1,151. This balance is designated to be used for liquor law enforcement.

The liquor fund was self funding in the sense that all costs associated with liquor law enforcement for the township were covered by the State of Michigan through collection of liquor license fees from the places of business in the township that serve or sell liquor.

Lake Improvement Fund – The Lake Improvement Fund decreased its fund balance by \$40,676, which brings the fund balance to \$6,468. This balance is reserved and must be used for lake improvement. This fund is run by a board appointed by various entities with an interest in Lake Mitchell. The Township's role is mainly as a recordkeeping function as one of the establishing entities.

Capital Improvement Revolving Fund – The Capital Improvement Revolving Fund increased its fund balance by \$3,517, which brings the fund balance to \$169,708. Prior board resolution asked that this amount be designated for future uses regarding the sewer system.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$4,990. This is due largely to the deduction of depreciation expense on the Fund's capital assets and a write down of the funds investments to fair market value. Despite the decrease in net assets, the Fund is still in stable condition. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

Over time the fund should experience positive cash flow in order to afford future repairs and replacements of the sewer system. This decrease in net assets is a trend that township is aware of in order to make sure the aging sewer system will remain functional. There currently are enough funds on hand so that the \$4,990 reduction is not of an immediate concern. However, rate increases for usage will have to be considered in the future.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2006 amounted to \$1,247,520 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was \$175,477.

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FOR FISCAL YEAR ENDED JUNE 30, 2006

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land and Land Improvements	\$ 6,155	\$ 6,155	\$ 0	\$ 0	\$ 6,155	\$ 6,155
Buildings	241,261	237,451	0	0	241,261	237,451
Improvements other than Buildings	0	0	1,269,562	1,269,562	1,269,562	1,269,562
Infrastructure	21,199	0	0	0	21,199	0
Equipment, Furniture, Vehicles	901,553	680,017	0	0	901,553	680,017
Subtotal	1,170,168	923,623	1,269,562	1,269,562	2,439,730	2,193,185
Accumulated Depreciation	506,648	460,971	685,562	660,171	1,192,210	1,121,142
Net Capital Assets	\$ 663,520	\$ 462,652	\$ 584,000	\$ 609,391	\$ 1,247,520	\$ 1,072,043

Major capital asset events during the current fiscal year included the following:

- ◆ The purchase of a fire truck by the Fire Fund amounted to \$219,707.
- ◆ The purchase of two optical scan voting machines by the General Fund amounted to \$12,075, paid with a state grant.
- ◆ Paved Locust Lane, and portions of White Pine Drive, Lakewood Drive and Wedgewood Drive by the Municipal Street Fund at a cost to the Township in the amount of \$21,199.

Long-Term Debt. At the end of the current fiscal year, the Township total installment debt outstanding of \$213,159 for the purchase of a 2003 Chevrolet 2500 pickup and a fire truck. The pickup debt is serviced 50% by the General Fund and 50% by the Fire Fund. The fire truck debt is serviced 100% by the Fire Fund. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements. Interest rates earned on investment and availability of cash on hand were all carefully analyzed by the township board when making the decisions to borrow money for truck purchases.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential future reductions in state-shared revenues. The Township's millage rates were reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Cherry Grove Township at 4830 E. M-55, Cadillac, Michigan 49601.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 117,257	\$ 34,718	\$ 151,975
Accounts Receivable	0	33,255	33,255
Interest Receivable	0	1,413	1,413
Due from Other Governments	52,127	0	52,127
Special Assessment Receivable	21,461	0	21,461
Investments	578,482	599,837	1,178,319
Total Current Assets	769,327	669,223	1,438,550
<u>CAPITAL ASSETS</u>			
Land and Improvements	6,155	0	6,155
Buildings	241,261	0	241,261
Improvements Other Than Buildings	0	1,269,562	1,269,562
Infrastructure	21,199	0	21,199
Equipment, Furniture and Vehicles	901,553	0	901,553
	1,170,168	1,269,562	2,439,730
Less Accumulated Depreciation	506,648	685,562	1,192,210
Net Capital Assets	663,520	584,000	1,247,520
TOTAL ASSETS	1,432,847	1,253,223	2,686,070
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	68,258	0	68,258
Deferred Revenue	15,800	0	15,800
Current Portion of Non-Current Liabilities	41,655	0	41,655
Total Current Liabilities	125,713	0	125,713
<u>NONCURRENT LIABILITIES</u>			
Note Payable (Net of Current Portion)	171,504	0	171,504
TOTAL LIABILITIES	297,217	0	297,217
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	450,361	584,000	1,034,361
Restricted for Public Safety	140,302	0	140,302
Restricted for Recreation and Culture	6,468	0	6,468
Unrestricted	538,499	669,223	1,207,722
TOTAL NET ASSETS	\$ 1,135,630	\$ 1,253,223	\$ 2,388,853

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 12,353	\$ 0	\$ 0	\$ 0	\$ (12,353)	\$ 0	\$ (12,353)
General Government	159,420	22,833	0	12,075	(124,512)	0	(124,512)
Public Safety	115,849	38,050	17,508	0	(60,291)	0	(60,291)
Public Works	37,313	0	8,171	30,263	1,121	0	1,121
Recreation and Culture	113,602	0	27,725	0	(85,877)	0	(85,877)
Other Functions	23,543	0	0	0	(23,543)	0	(23,543)
Interest on Long-term Debt	585	0	0	0	(585)	0	(585)
Total Governmental Activities	462,665	60,883	53,404	42,338	(306,040)	0	(306,040)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	128,450	108,095	0	0	0	(20,355)	(20,355)
TOTAL	\$ 591,115	\$ 168,978	\$ 53,404	\$ 42,338	(306,040)	(20,355)	(326,395)
<u>GENERAL REVENUES</u>							
Taxes					181,965	0	181,965
State Grants					159,785	0	159,785
Investment Earnings					19,575	15,365	34,940
Other					1,270	0	1,270
Total General Revenues					362,595	15,365	377,960
Change in Net Assets					56,555	(4,990)	51,565
<u>NET ASSETS</u> - Beginning of Year					1,079,075	1,258,213	2,337,288
<u>NET ASSETS</u> - End of Year					\$ 1,135,630	\$ 1,253,223	\$ 2,388,853

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2006

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>ASSETS</u>							
Cash	\$ 9,918	\$ 16,738	\$ 20,916	\$ 1,151	\$ 68,384	\$ 150	\$ 117,257
Special Assessment Receivable	0	21,461	0	0	0	0	21,461
Investments	214,883	59,334	134,707	0	0	169,558	578,482
Due from Other Governments	52,127	0	0	0	0	0	52,127
Due from Other Funds	3,583	0	2,312	0	0	0	5,895
TOTAL ASSETS	<u>\$ 280,511</u>	<u>\$ 97,533</u>	<u>\$ 157,935</u>	<u>\$ 1,151</u>	<u>\$ 68,384</u>	<u>\$ 169,708</u>	<u>\$ 775,222</u>
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 4,509	\$ 0	\$ 1,833	\$ 0	\$ 61,916	\$ 0	\$ 68,258
Due to Other Funds	2,312	3,583	0	0	0	0	5,895
Deferred Revenue	0	16,042	15,800	0	0	0	31,842
Total Liabilities	<u>6,821</u>	<u>19,625</u>	<u>17,633</u>	<u>0</u>	<u>61,916</u>	<u>0</u>	<u>105,995</u>
<u>FUND BALANCE</u>							
Reserved for:							
Fire Protection	0	0	140,302	0	0	0	140,302
Lake Improvement	0	0	0	0	6,468	0	6,468
Unreserved							
Designated for:							
Street Improvements	0	77,908	0	0	0	0	77,908
Liquor Law Enforcement	0	0	0	1,151	0	0	1,151
Public Improvements	0	0	0	0	0	169,708	169,708
Undesignated	273,690	0	0	0	0	0	273,690
Total Fund Balance	<u>273,690</u>	<u>77,908</u>	<u>140,302</u>	<u>1,151</u>	<u>6,468</u>	<u>169,708</u>	<u>669,227</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 280,511</u>	<u>\$ 97,533</u>	<u>\$ 157,935</u>	<u>\$ 1,151</u>	<u>\$ 68,384</u>	<u>\$ 169,708</u>	<u>\$ 775,222</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances for Governmental Funds	\$ 669,227
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Improvements	\$ 6,155	
Buildings	241,261	
Equipment, Furniture and Vehicles	901,553	
Infrastructure	21,199	
Accumulated Depreciation	<u>(506,648)</u>	663,520

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	16,042
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Long term liabilities are not due and payable in the current period and
are not reported in the funds

Note Payable	<u>(213,159)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,135,630</u></u>
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The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>REVENUES</u>							
Taxes	\$ 97,366	\$ 0	\$ 84,599	\$ 0	\$ 0	\$ 0	\$ 181,965
Licenses and Permits	9,867	0	0	0	0	0	9,867
State Grants	171,860	8,171	0	2,397	0	0	182,428
Contributions from Local Units	0	0	0	0	27,725	0	27,725
Charges for Services	10,991	0	2,400	0	0	0	13,391
Interest and Rents	9,849	2,930	4,610	0	544	3,617	21,550
Other Revenues	1,094	15,238	15,287	0	35,650	0	67,269
Total Revenues	301,027	26,339	106,896	2,397	63,919	3,617	504,195
<u>EXPENDITURES</u>							
Legislative	12,353	0	0	0	0	0	12,353
General Government	163,879	0	0	0	0	0	163,879
Public Safety	0	0	288,821	2,238	0	0	291,059
Public Works	6,460	51,952	0	0	0	100	58,512
Recreation and Culture	9,007	0	0	0	104,595	0	113,602
Other Functions	23,543	0	0	0	0	0	23,543
Debt Service	2,258	0	2,258	0	0	0	4,516
Total Expenditures	217,500	51,952	291,079	2,238	104,595	100	667,464
Excess (Deficiency) of Revenues Over Expenditures	83,527	(25,613)	(184,183)	159	(40,676)	3,517	(163,269)

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	11,829	0	0	0	0	11,829
Transfers Out	(11,829)	0	0	0	0	0	(11,829)
Notes Payable Issued	0	0	203,566	0	0	0	203,566
Total Other Financing Sources (Uses)	(11,829)	11,829	203,566	0	0	0	203,566
Net Change in Fund Balance	71,698	(13,784)	19,383	159	(40,676)	3,517	40,297
<u>FUND BALANCE</u> - Beginning of Year	201,992	91,692	120,919	992	47,144	166,191	628,930
<u>FUND BALANCE</u> - End of Year	\$ 273,690	\$ 77,908	\$ 140,302	\$ 1,151	\$ 6,468	\$ 169,708	\$ 669,227

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 40,297
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(58,923)
Capital Outlay	259,791
Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	3,931
Loan proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in Statement of Net Assets.	(203,566)
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Deferred Revenue - Beginning of Year	(1,017)
Deferred Revenue - End of Year	16,042
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 56,555</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 34,718
Accounts Receivable	33,255
Interest Receivable	1,413
Investments	599,837
Total Current Assets	669,223
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	1,269,562
Less Accumulated Depreciation	685,562
Net Capital Assets	584,000
TOTAL ASSETS	\$ 1,253,223
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	\$ 0
<u>NET ASSETS</u>	
Invested in Capital Assets	584,000
Unrestricted	669,223
Total Net Assets	1,253,223
TOTAL LIABILITIES AND NET ASSETS	\$ 1,253,223

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 108,095</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Professional Services	1,025
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	102,009
Depreciation	25,391
Miscellaneous	<u>25</u>
Total Operating Expenses	<u>128,450</u>
Operating Income (Loss)	<u>(20,355)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	22,099
Net Increase (Decrease) in the Fair Value of Investments	<u>(6,734)</u>
Total NonOperating Revenues (Expenses)	<u>15,365</u>
Change in Net Assets	(4,990)
<u>NET ASSETS - Beginning of Year</u>	<u>1,258,213</u>
<u>NET ASSETS - End of Year</u>	<u><u>\$ 1,253,223</u></u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 106,420
Cash Payments to Suppliers for Goods and Services	(103,059)
Net Cash Provided (Used) by Operating Activities	<u>3,361</u>
Cash Flows from Investing Activities:	
Interest on Investments	22,817
Net Increase (Decrease) in Fair Value of Investments	(2,867)
Proceeds from Sale of Short-Term Investment Fund and U.S. Treasury Notes	100,000
Acquisition of Short-Term Investment Fund and U.S. Treasury Notes	(119,300)
Net Cash Provided (Used) by Investing Activities	<u>650</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,011
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>30,707</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 34,718</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (20,355)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	25,391
(Increase) Decrease in Current Assets	
Accounts Receivable - Service Billings	(1,675)
Total Adjustments	<u>23,716</u>
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	<u>\$ 3,361</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cherry Grove Township is a general law township located in Wexford County which operates under the direction of an elected township board. As required by generally accepted accounting principles, these financial statements present the government and its blended component unit, an entity for which the Township is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the Township for financial reporting purposes so its data is combined with the Township.

Blended Component Unit. The Lake Mitchell Improvement Authority was established to provide for the improvement of Lake Mitchell and is funded by special assessments on lake front property owners. Cherry Grove Township, Selma Township, and the City of Cadillac are all members of the Authority. Each unit appoints members to the Authority Board. Cherry Grove Township is financially the largest member of the Authority and therefore the Authority is considered a component unit of the Township. The Authority is reported as a special revenue fund.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Cherry Grove Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for street improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Liquor Law Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

The *Capital Improvement Revolving Fund* accounts for revenue sources that are board designated for expenditures for public improvement. The source of revenue for this fund originates from transfers in from the general fund.

Cherry Grove Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Selma Township.

Additionally Cherry Grove Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the Township is limited to investments authorized by Public Act 20 of 1943 (MCL 129.91 et seq), as amended, or as shall be amended in the future, and may include the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Cherry Grove Township Board at the Board's organizational meeting after each regular election of members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (ex Sess) PA7, MCL 124.501 to 124.512.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

- (e) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, one-third of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 28. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Cherry Grove Township totaled \$88,661,563, on which ad valorem taxes levied consisted of 0.7648 mills for Cherry Township operating purposes, and 0.9539 mills for Cherry Grove Township fire protection. These levies raised approximately \$67,690 for operating purposes and \$84,426 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Improvements	20
Infrastructure	20-50
Equipment, Furniture and Vehicles	5-10

5. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. Comparative Data/Reclassifications

Comparative total data for prior years have been presented for all funds in the fund financial statement in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on June 28, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township board exercises budgetary control over expenditures.

Encumbrance accounting not employed in governmental funds.

B. Funds with Expenditures in Excess of Appropriations were as follows:

General Fund		
Election	\$ 8,050	\$ 14,183
Debt Service	0	2,258
Special Revenue Fund		
Fire Fund		
Debt Service	0	2,258
Lake Improvement Fund		
Lake Improvement	61,500	104,595
Capital Improvement Revolving Fund		
Sewer	0	100

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are on deposit with Citizens Bank, Northwestern Bank, Fifth Third Bank and Bank One Municipal Investment Services.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, none of the government's bank balance of \$156,625 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end all of the Township's investments were uncategorized as to risk.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

B. Receivables

Receivables as of year end for the government's individual major funds, and nonmajor funds in aggregate, are as follows:

	General	Municipal Street	Sewer	Total
Receivables				
Due from Other Governments	\$ 52,127	\$ 0	\$ 0	\$ 52,127
Special Assessments	0	21,461	0	21,461
Accounts	0	0	33,255	33,255
Interest	0	0	1,413	1,413
Total	<u>\$ 52,127</u>	<u>\$ 21,461</u>	<u>\$ 34,668</u>	<u>\$108,256</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	UNAVAILABLE	UNEARNED	TOTAL
Special Assessments Receivable (Municipal Street Fund)	\$ 16,042	\$ 0	\$ 16,042
Deferred Grant Revenue (Fire Fund)	0	15,800	15,800
	<u>\$ 16,042</u>	<u>\$ 15,800</u>	<u>\$ 31,842</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 6,155	\$ 0	\$ 0	\$ 6,155
Capital assets, being depreciated				
Buildings	237,451	3,810	0	241,261
Machinery and equipment	680,017	234,782	13,246	901,553
Infrastructure	0	21,199	0	21,199
Total capital assets, being depreciated	917,468	259,791	13,246	1,164,013
Less accumulated depreciation for:				
Buildings	70,854	6,510	0	77,364
Machinery and Equipment	390,117	52,413	13,246	429,284
Infrastructure	0	0	0	0
Total accumulated depreciation	460,971	58,923	13,246	506,648
Total capital assets, being depreciated, net	456,497	200,868	0	657,365
Governmental activities capital assets, net	\$ 462,652	\$200,868	\$ 0	\$ 663,520
<u>Business-type activities:</u>				
Capital assets, being depreciated				
Improvements other than buildings	\$1,269,562	\$ 0	\$ 0	\$1,269,562
Less accumulated depreciation for:				
Improvements other than buildings	660,171	25,391	0	685,562
Business-type activities capital assets, net	\$ 609,391	\$ (25,391)	\$ 0	\$ 584,000

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 11,426
Public Safety	47,497
Total depreciation expense - governmental activities	<u>\$ 58,923</u>
Business-type activities:	
Sewer	<u>\$ 25,391</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,583	\$ 2,312
Special Revenue Funds		
Fire Fund	2,312	0
Municipal Street Fund	0	3,583
	<u>5,895</u>	<u>5,895</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 11,829
Special Revenue Funds		
Municipal Street Fund	11,829	0
	<u>\$ 11,829</u>	<u>\$ 11,829</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

4. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended June 30, 2006:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

	<u>INSTALLMENT NOTE</u>
Long-Term Debt Payable	
At July 1, 2005	\$ 13,524
New Debt Incurred	203,566
Payments on Debt	<u>(3,931)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2006	<u>\$ 213,159</u>
Amount due within one year	<u>\$ 41,655</u>

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 41,655	\$ 8,699	\$ 50,354
2008	43,397	6,957	50,354
2009	41,768	5,192	46,960
2010	72,307	3,522	75,829
2011	<u>44,032</u>	<u>1,796</u>	<u>45,828</u>
	<u>\$ 243,159</u>	<u>\$ 26,166</u>	<u>\$269,325</u>

Installment Notes:

\$19,950 2003 Chevrolet 2500 pickup note due in monthly installments of \$377 through September 30, 2008; interest at 4.99%	\$ 9,593
\$203,566 2006 Fire Truck note due in annual installments of \$45,829 through September 20, 2010; interest at 4.08%	<u>203,566</u>
	<u>\$213,159</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/net assets have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

FUND BALANCE/NET ASSETS

Reserved	
Lake Improvement Fund	
Lake Improvement	\$ 6,468
Fire Fund	
Fire Protection	140,302
Designated	
Special Revenue Funds	
Municipal Street Fund	
Street Improvements	77,908
Liquor Law Enforcement Fund	
Liquor Law Enforcement	1,151
Capital Improvement Revolving Fund	
Public Improvements	<u>169,708</u>
 TOTAL FUND BALANCE RESERVES AND DESIGNATIONS	 <u><u>\$395,537</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with John Hancock Life Insurance Company which covers all employees except for volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 21 and is ineligible at age 73. An employee's normal retirement date is age 65 except for those age 56 and over at entry who will retire after 10 years of participation in the plan or at the plan anniversary nearest age 75 if sooner.

Township contributions to the plan for 2005-2006, amounted to \$9,008 including administration fees of \$293. Total covered payroll amounted to \$92,111 and total wages including non-covered payroll was \$114,915.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Lake Improvement Fund

The Township has joined with Selma Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township which has been designated by the Lake Improvement Board to maintain the records for the Lake Improvement Fund.

D. Sewer Fund

The Township is participating with Selma and Clam Lake Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was financed through state and federal grants and the sale of special assessment bonds. The total cost of the project was \$2,605,674. Cherry Grove Township's share of this project is 48.723% (\$1,269,562). This amount has been capitalized as an asset in the Sewer Fund and as a charge to contributed equity. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 96,082	\$ 96,082	\$ 97,366	\$ 0	\$ 0	\$ 0
Licenses and Permits	12,700	12,700	9,867	0	0	0
State Grants	165,050	165,050	171,860	0	0	8,171
Contributions From Local Units	0	0	0	0	0	0
Charges for Services	9,500	9,500	10,991	0	0	0
Interest and Rents	5,000	5,000	9,849	700	700	2,930
Other Revenues	0	0	1,094	6,100	6,100	15,238
Total Revenues	\$288,332	\$288,332	\$301,027	\$ 6,800	\$ 6,800	\$ 26,339
<u>EXPENDITURES</u>						
Legislative						
Township Board	\$ 16,050	\$ 17,050	\$ 12,353	\$ 0	\$ 0	\$ 0
General Government						
Supervisor	12,800	12,800	11,198	0	0	0
Election	8,050	8,050	14,183	0	0	0
Accounting	6,500	6,500	1,995	0	0	0
Assessor	35,100	35,100	28,859	0	0	0
Attorney	4,000	4,000	2,311	0	0	0
Clerk	26,039	26,039	23,690	0	0	0
Board of Review	3,000	3,000	2,056	0	0	0
Treasurer	34,897	34,897	31,963	0	0	0
Building and Grounds	21,115	21,115	12,737	0	0	0
Municipal Building	18,575	18,575	18,814	0	0	0
Cemetery	14,035	19,335	16,073	0	0	0
Public Safety						
Civil Defense	100	100	0	0	0	0
Liquor Law Enforcement	0	0	0	0	0	0
Fire Protection	0	0	0	0	0	0
Public Works						
Highways, Streets, Bridges	0	0	0	81,325	81,325	51,952
Street Lighting	1,700	1,700	354	0	0	0
Refuse Collection/Disposal	7,400	7,400	6,106	0	0	0
Sewer	0	0	0	0	0	0
Culture and Recreation						
Lake Improvement	0	0	0	0	0	0
Township Parks	6,900	9,900	9,007	0	0	0
Other Functions						
Insurance and Bonds	4,000	4,000	3,534	0	0	0
Employee Benefits	27,210	28,243	20,009	0	0	0
Debt Service	4,000	400	2,258	0	0	0
Contingency	33,000	23,700	0	0	0	0
Total Expenditures	\$284,471	\$281,904	\$217,500	\$ 81,325	\$ 81,325	\$ 51,952
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,861	\$ 6,428	\$ 83,527	\$(74,525)	\$(74,525)	\$(25,613)

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	GENERAL FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ 11,829
Transfers Out	(21,000)	(21,000)	(11,829)	0	0	0
Notes Payable Issued	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$(21,000)</u>	<u>\$(21,000)</u>	<u>\$(11,829)</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 11,829</u>
Net Change in Fund Balance	<u>\$(17,139)</u>	<u>\$(14,572)</u>	<u>\$ 71,698</u>	<u>\$(54,525)</u>	<u>\$(54,525)</u>	<u>\$(13,784)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>17,139</u>	<u>174,163</u>	<u>201,992</u>	<u>54,525</u>	<u>91,692</u>	<u>91,692</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$159,591</u>	<u>\$273,690</u>	<u>\$ 0</u>	<u>\$ 37,167</u>	<u>\$ 77,908</u>

FIRE FUND			LIQUOR LAW ENFORCEMENT FUND			LAKE IMPROVEMENT FUND			CAPITAL IMPROVEMENT REVOLVING FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0	0	0	0	0
101,783	203,566	203,566	0	0	0	0	0	0	0	0	0
\$ 101,783	\$ 203,566	\$ 203,566	\$ 1,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ (6,775)	\$ (7,275)	\$ 19,383	\$ 200	\$ 200	\$ 159	\$ (2,550)	\$ (2,550)	\$ (40,676)	\$ 3,500	\$ 3,500	\$ 3,517
6,775	120,919	120,919	200	992	992	2,550	47,144	47,144	0	166,191	166,191
\$ 0	\$ 113,644	\$ 140,302	\$ 400	\$ 1,192	\$ 1,151	\$ 0	\$ 44,594	\$ 6,468	\$ 3,500	\$ 169,691	\$ 169,708

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 9,918	\$ 39,998
Taxes Receivable	0	26
Investments	214,883	139,612
Due from Other Government	52,127	27,829
Due from Other Funds	3,583	0
	<hr/>	<hr/>
TOTAL ASSETS	\$ 280,511	\$ 207,465
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,509	\$ 2,408
Due to Other Funds	2,312	3,065
	<hr/>	<hr/>
TOTAL LIABILITIES	6,821	5,473
<u>FUND BALANCE</u>		
Unreserved	273,690	201,992
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 280,511	\$ 207,465
	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes	\$ 96,082	\$ 96,082	\$ 97,366	\$ 92,147
Business Licenses and Permits	12,700	12,700	9,867	10,175
State Grants	165,050	165,050	171,860	157,169
Charges for Services	9,500	9,500	10,991	9,833
Interest and Rents	5,000	5,000	9,849	7,193
Other Revenues	0	0	1,094	0
Total Revenues	288,332	288,332	301,027	276,517
<u>EXPENDITURES</u>				
Legislative				
Township Board	16,050	17,050	12,353	18,914
General Government				
Supervisor	12,800	12,800	11,198	9,209
Election	8,050	8,050	14,183	5,508
Accounting	6,500	6,500	1,995	5,960
Assessor	35,100	35,100	28,859	35,061
Attorney	4,000	4,000	2,311	1,355
Clerk	26,039	26,039	23,690	21,735
Board of Review	3,000	3,000	2,056	1,833
Treasurer	34,897	34,897	31,963	27,393
Building and Grounds	22,115	22,115	12,737	15,856
Municipal Building	20,575	20,575	18,814	19,478
Cemetery	15,035	20,335	16,073	16,755
Public Safety	100	100	0	0
Public Works	9,100	9,100	6,460	724
Recreation and Cultural	6,900	9,900	9,007	7,135
Other Functions	31,210	32,243	23,543	25,739
Debt Service	0	0	2,258	2,258
Contingency	33,000	23,700	0	0
Total Expenditures	284,471	285,504	217,500	214,913
Excess (Deficiency) of Revenues Over Expenditures	3,861	2,828	83,527	61,604

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(21,000)	(21,000)	(11,829)	(185,000)
Net Change in Fund Balance	(17,139)	(18,172)	71,698	(123,396)
<u>FUND BALANCE</u> - Beginning of Year	17,139	174,163	201,992	325,388
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 155,991</u>	<u>\$ 273,690</u>	<u>\$ 201,992</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 16,738	\$ 12,958
Special Assessments Receivable	21,461	1,348
Investments	<u>59,334</u>	<u>78,403</u>
 TOTAL ASSETS	 <u>\$ 97,533</u>	 <u>\$ 92,709</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 3,583	\$ 0
Deferred Revenue	<u>16,042</u>	<u>1,017</u>
 Total Liabilities	 19,625	 1,017
 <u>FUND BALANCE</u>		
Designated for:		
Street Improvements	<u>77,908</u>	<u>91,692</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 97,533</u>	 <u>\$ 92,709</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
State Grants				
Telecommunications Right of Way Maintenance	\$ 0	\$ 0	\$ 8,171	\$ 0
Interest and Rents				
Interest Earnings	700	700	2,930	1,627
Other Revenue				
Special Assessments	6,000	6,000	15,209	5,203
Penalties on Late Payments	100	100	29	64
Total Revenues	<u>\$ 6,800</u>	<u>\$ 6,800</u>	<u>26,339</u>	<u>6,894</u>
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Supplies				
Office Supplies	25	25	0	0
Other Services and Charges				
Professional Services	0	0	775	0
Printing and Publishing	500	500	300	279
Repairs and Maintenance	80,800	80,800	50,877	0
Total Expenditures	<u>81,325</u>	<u>81,325</u>	<u>51,952</u>	<u>279</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(74,525)	(74,525)	(25,613)	6,615
<u>OTHER FINANCING SOURCES</u>				
Transfers In				
General Fund	20,000	20,000	11,829	20,000
Net Change in Fund Balance	(54,525)	(54,525)	(13,784)	26,615
<u>FUND BALANCE</u> - Beginning of Year	<u>54,525</u>	<u>91,692</u>	<u>91,692</u>	<u>65,077</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 37,167</u>	<u>\$ 77,908</u>	<u>\$ 91,692</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 20,916	\$ 21,868
Taxes Receivable	0	32
Investments	134,707	96,415
Due from General Fund	2,312	3,065
TOTAL ASSETS	<u>\$ 157,935</u>	<u>\$ 121,380</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,833	\$ 461
Deferred Revenue	15,800	0
TOTAL LIABILITIES	\$ 17,633	\$ 461
<u>FUND BALANCE</u>		
Reserved for Fire Protection	<u>140,302</u>	<u>120,919</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 157,935</u>	<u>\$ 121,380</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Property Tax	\$ 78,000	\$ 78,000	\$ 84,599	\$ 80,436
Charges for Services	1,275	1,275	2,400	100
Interest and Rents				
Interest Earnings	700	700	4,610	1,394
Other Revenues				
Refunds and Rebates	0	0	0	635
Donations	500	16,141	15,111	3,748
Miscellaneous	0	0	176	0
Total Revenues	80,475	96,116	106,896	86,313

EXPENDITURES

Public Safety				
Fire Protection				
Personal Services				
Salaries and Wages	27,500	27,500	23,306	21,810
Employee Benefits				
Michigan Unemployment	50	50	0	22
Supplies				
Office Supplies	700	700	1,328	426
Operating Supplies	8,800	8,800	8,807	8,438
Other Services and Charges				
Contracted Services	500	500	775	644
Communication	500	500	445	409
Transportation	8,700	8,700	5,943	2,797
Insurance and Bonds	10,000	10,000	12,482	10,933
Public Utilities	2,350	2,350	0	86
Printing and Publishing	350	350	248	29
Repair and Maintenance	15,300	15,300	9,880	6,318

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Miscellaneous	2,500	2,500	391	1,158
Education and Training	2,000	2,000	2,509	5,072
Capital Outlay				
Equipment	108,783	226,707	222,707	9,011
Building	1,000	1,000	0	0
Debt Service				
Principal	0	0	1,965	1,870
Interest	0	0	293	388
Total Expenditures	<u>189,033</u>	<u>306,957</u>	<u>291,079</u>	<u>69,411</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(108,558)</u>	<u>(210,841)</u>	<u>(184,183)</u>	<u>16,902</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Payable Issued	101,783	203,566	203,566	0
Sale of Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>600</u>
Total Other Financing Sources (Uses)	<u>101,783</u>	<u>203,566</u>	<u>203,566</u>	<u>600</u>
Net Change in Fund Balance	(6,775)	(7,275)	19,383	17,502
<u>FUND BALANCE</u> - Beginning of Year	<u>6,775</u>	<u>120,919</u>	<u>\$ 120,919</u>	<u>103,417</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 113,644</u>	<u>\$ 140,302</u>	<u>\$ 120,919</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2006	2005
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 1,151	\$ 992
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	
<u>FUND BALANCE</u>		
Designated for Liquor Law Enforcement	1,151	992
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,151	\$ 992
	<hr/>	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
State Grants				
Liquor Licenses	\$ 2,200	\$ 2,200	\$ 2,397	\$ 2,414
<u>EXPENDITURES</u>				
Public Safety				
Law Enforcement				
Personal Services				
Salaries and Wages	2,400	2,400	1,900	2,400
Supplies				
Operating Supplies	150	150	43	0
Other Services and Charges				
Professional Services	0	0	100	
Transportation	100	100	48	0
Insurance and Bonds	150	150	147	147
Miscellaneous	200	200	0	0
Total Expenditures	3,000	3,000	2,238	2,547
Excess (Deficiency) of Revenues Over Expenditures	(800)	(800)	159	(133)
<u>OTHER FINANCING SOURCES</u>				
Transfers In				
General Fund	1,000	1,000	0	0
Net Change in Fund Balance	200	200	159	(133)
<u>FUND BALANCE</u> - Beginning of Year	200	992	992	1,125
<u>FUND BALANCE</u> - End of Year	\$ 400	\$ 1,192	\$ 1,151	\$ 992

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2006	2005
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 68,384	\$ 75,614
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 61,916	\$ 28,470
	<hr/>	
<u>FUND BALANCE</u>		
Reserved for Lake Improvement	6,468	47,144
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 68,384	\$ 75,614
	<hr/>	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Contributions from Local Units				
Selma Township	\$ 25,000	\$ 25,000	\$ 26,625	\$ 26,625
City of Cadillac	1,000	1,000	1,100	1,100
Interest and Rents				
Interest Earnings	600	600	544	537
Other Revenue				
Special Assessments	32,350	32,350	35,650	33,850
Total Revenues	58,950	58,950	63,919	62,112
<u>EXPENDITURES</u>				
Recreation and Cultural				
Lake Improvement				
Supplies				
Office Supplies	1,000	1,000	0	863
Other Services and Charges				
Insurance	1,000	1,000	733	733
Professional Services	8,000	8,000	21,649	12,245
Weed Harvesting and Chemicals	46,000	46,000	81,580	59,954
Printing and Publishing	3,000	3,000	633	1,613
Miscellaneous	500	500	0	0
Contingency	2,000	2,000	0	0
Total Expenditures	61,500	61,500	104,595	75,408
Excess (Deficiency) of Revenues				
Over Expenditures	(2,550)	(2,550)	(40,676)	(13,296)
<u>FUND BALANCE</u> - Beginning of Year	2,550	47,144	47,144	60,440
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 44,594	\$ 6,468	\$ 47,144

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT REVOLVING FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2006	2005
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 150	\$ 0
Investments	169,558	166,191
	<hr/>	
	\$ 169,708	\$ 166,191
	<hr/> <hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Designated for Public Improvements	169,708	166,191
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 169,708	\$ 166,191
	<hr/> <hr/>	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT REVOLVING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006 BUDGET</u>		<u>2006</u>	<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Interest and Rents				
Interest Earnings	\$ 3,500	\$ 3,500	\$ 3,617	\$ 1,191
<u>EXPENDITURES</u>				
Public Works				
Other Services and Charges				
Contracted Services	0	0	100	0
Excess (Deficiency) of Revenues				
Over Expenditures	3,500	3,500	3,517	1,191
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In				
General Fund	0	0	0	165,000
Net Change in Fund Balance	3,500	3,500	3,517	166,191
<u>FUND BALANCE</u> - Beginning of Year	0	166,191	166,191	0
<u>FUND BALANCE</u> - End of Year	\$ 3,500	\$ 169,691	\$ 169,708	\$ 166,191

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 34,718	\$ 30,707
Accounts Receivable	33,255	31,580
Interest Receivable	1,413	2,131
Investments	599,837	584,404
	<hr/>	<hr/>
Total Current Assets	669,223	648,822
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Improvements Other Than Buildings	1,269,562	1,269,562
Less Accumulated Depreciation	685,562	660,171
	<hr/>	<hr/>
Net Capital Assets	584,000	609,391
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,253,223</u>	<u>\$ 1,258,213</u>
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets	584,000	609,391
Unrestricted	669,223	648,822
	<hr/>	<hr/>
Total Net Assets	1,253,223	1,258,213
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,253,223</u>	<u>\$ 1,258,213</u>
	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Use Charges	\$ 108,095	\$ 103,513
<u>OPERATING EXPENSES</u>		
Public Works		
Professional Services	1,025	0
Contracted Services		
Operation and Maintenance		
Wexford County Department of Public Works	102,009	100,839
Depreciation	25,391	25,391
Miscellaneous	25	22
Total Operating Expenses	<u>128,450</u>	<u>126,252</u>
Operating Income (Loss)	<u>(20,355)</u>	<u>(22,739)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	22,099	20,413
Net Increase (Decrease) in the Fair Value of Investments	<u>(6,734)</u>	<u>(9,072)</u>
Total Nonoperating Revenues (Expenses)	<u>15,365</u>	<u>11,341</u>
Change in Net Assets	(4,990)	(11,398)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>1,258,213</u>	<u>1,269,611</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 1,253,223</u>	<u>\$ 1,258,213</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 106,420	\$ 99,278
Cash Payments to Suppliers for Goods and Services	<u>(103,059)</u>	<u>(100,861)</u>
Net Cash Provided (Used) by Operating Activities	<u>3,361</u>	<u>(1,583)</u>
Cash Flows from Investing Activities:		
Interest on Investments	22,817	20,641
Net Increase (Decrease) in Fair Value of Investments	(2,867)	(9,072)
Proceeds from Investments	100,000	100,000
Acquisition of Investments	<u>(119,300)</u>	<u>(111,220)</u>
Net Cash Provided (Used) by Investing Activities	<u>650</u>	<u>349</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,011	(1,234)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>30,707</u>	<u>31,941</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 34,718</u>	<u>\$ 30,707</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (20,355)</u>	<u>\$ (22,739)</u>
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities		
Depreciation	25,391	25,391
(Increase) Decrease in Current Assets		
Accounts Receivable - Service Billings	<u>(1,675)</u>	<u>(4,235)</u>
Total Adjustments	<u>23,716</u>	<u>21,156</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,361</u>	<u>\$ (1,583)</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	BALANCE			BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006
<u>ASSETS</u>				
Cash	\$ 0	\$ 40,377	\$ (40,377)	\$ 0
<u>LIABILITIES</u>				
Payroll Withholdings	\$ 0	\$ 40,377	\$ (40,377)	\$ 0
TOTAL LIABILITIES	\$ 0	\$ 40,377	\$ (40,377)	\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	BALANCE			BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006
<u>ASSETS</u>				
Cash	\$ 0	\$ 5,355,871	\$ (5,355,871)	\$ 0
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 8,995	\$ (8,995)	\$ 0
Due to Other Funds	0	211,578	(211,578)	0
Due to Other Governments	0	2,564,824	(2,564,824)	0
TOTAL LIABILITIES	\$ 0	\$ 2,785,397	\$ (2,785,397)	\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2005 SUMMER PROPERTY TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County	\$	198,576	
State Education Tax		531,065	
Schools			
Cadillac Area Public Schools		<u>395,200</u>	\$ 1,124,841

TAXES COLLECTED

County	188,384	
State Education Tax	503,808	
Schools		
Cadillac Area Public Schools	<u>371,396</u>	<u>1,063,588</u>

TAXES RETURNED DELINQUENT

County	10,192	
State Education Tax	27,257	
Schools		
Cadillac Area Public Schools	<u>23,804</u>	<u>\$ 61,253</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County	\$	698,278	
Township			
Operating		67,690	
Fire		84,426	
Lake Mitchell Special Assessment		35,650	
Delinquent Sewer Service Billings		9,854	
Delinquent Road Assessments		360	
Schools			
Cadillac Area Public Schools		395,198	
Pine River Area Schools		6,475	
Intermediate School			
Wexford-Missaukee Intermediate		<u>527,646</u>	\$ 1,825,577

TAXES COLLECTED

County	643,663		
Township			
Operating	62,396		
Fire	77,823		
Lake Mitchell Special Assessment	33,700		
Delinquent Sewer Service Billings	9,353		
Delinquent Road Assessments	0		
Schools			
Cadillac Area Public Schools	359,711		
Pine River Area Schools	4,553		
Intermediate School			
Wexford-Missaukee Intermediate	<u>486,376</u>	<u>1,677,575</u>	

TAXES RETURNED DELINQUENT

County	54,615		
Township			
Operating	5,294		
Fire	6,603		
Lake Mitchell Special Assessment	1,950		
Delinquent Sewer Service Billings	501		
Delinquent Road Assessments	360		
Schools			
Cadillac Area Public Schools	35,487		
Pine River Area Schools	1,922		
Intermediate School			
Wexford-Missaukee Intermediate	<u>41,270</u>	<u>\$ 148,002</u>	

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990

JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

During the course of our audit of the basic financial statements of Cherry Grove Township for the year ended June 30, 2006, we noted the following:

Budgeting Procedures

Certain activities exceeded budgeted amounts during the year. We recommend budgets be monitored during the year and amended as necessary to be in compliance with P.A. 621.

Due (To) From Other Funds

Currently at June 30, 2006, the records of the Township reflect an amount due from the General Fund to the Fire Fund. This amount represents the net effect of reconciling the new pickup truck payments to the spread of the expense by percentages determined by the Township Board.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the financial statements of Cherry Grove Township, Wexford County, Cadillac, Michigan for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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